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INTEGRATED DIAMOND MANAGEMENT PROGRAM

4TH QUARTERLY ACTIVITY REPORT: 1 JULY THROUGH 31 OCTOBER 2005

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EXECUTIVE SUMMARY

POISED FOR ENORMOUS IMPACT, IF WE CAN STAY THE COURSE

Within any program there is a tendency to be impatient, hoping for dramatic improvements each quarter. But, the nature of trying to change generations of poor natural resource use practices ingrained in corrupt government/business collusion, particularly in a poor country just emerging from civil war, is that sustainable change – institutionally, politically, and economically – takes time. However, when we “zoom out” our perspective and look at the larger picture of the diamond sector of Sierra Leone, we are struck by the degree to which change is truly beginning to take hold – to where initiatives are becoming ingrained locally. Consider the following “top ten”:

1. We have completed a pilot season of Integrated Diamond Management (IDM), a revolutionary approach to artisanal mining that empowers communities, links them with international markets, and tracks diamonds from Earth to Export. Although, there is much to be improved – as described below – the process has struck an elemental chord both in Sierra Leone and internationally. This season has created an invaluable font of experience to share with the world and we believe the process is a beacon of hope in the sector.
2. The Diamond Area Community Development Fund, for all of its flaws, is having an impact beyond even our expectations when we presented the concept to government during the war. Important community development is happening through well managed use of the funds, where certain chiefs (especially in the project area) have shown what real leaders can do for their communities. Community members – women and children, too, not just miners and laborers – have started to see that diamonds can benefit them.
3. Hundreds of miners, chiefs, government officials, community women, and NGO leaders have been trained in basic diamond valuation. Local CBOs are now taking the training directly to communities. Rather than being the province of foreigners or Big Men, community members are beginning to see this knowledge as their right – and it is within reach.
4. Communities are beginning to establish broader community-based land-use and diamond management structures that could complement Chiefdom and GOSL authorities. The Peace Diamond Alliance leadership is beginning to take concrete action on negotiations with large corporations on behalf of local people, to secure their own funds for action, to have some influence on mining decisions in the community, and to learn about real community leadership.
5. Mined-out land is beginning to be reclaimed for agriculture. The GOSL has funded reclamation in a highly political area in Kono, a women’s group is reclaiming land for agriculture, cooperatives reclaimed their land for agriculture, and Chiefs in Kono have declared another large and visible area mined out. The heavily mined area of Congo Creek will be reclaimed as licenses expire. At all levels, from the national government to traditional leaders, cooperatives, CBOs, and general community members, there is a realization that environmental stewardship must be a higher priority. Moreover, they are creating their own initiatives to fix things.
6. As hoped, diamond reform is creating a lever to engage in broader governance issues. Not only have communities begun to hold Chiefs accountable through use of the DACDF, but the

fund has provided an opportunity for concrete collaboration between Chiefdoms and the fledgling District Councils. It is providing a challenge for leaders to put development above personal interests – all in a transparent environment. This is an opportunity that more and more people are using for mutual advantage.

7. Government has accepted international partners in an open forum to discuss controversial diamond issues in the High Level Diamond Steering Committee (HLDSC.) This forum provides an extraordinary opportunity for transparent collaboration that can improve governance, promote international security, and target benefits to the people of Sierra Leone.
8. Government has recognized that things must change, as revealed in its Core Mineral Policy and innovations on the ground. Commitment is inconsistent, as discussed below, but this is a dramatically improved perspective than when IDMP began.
9. There is an acute market demand for fair trade diamonds and gold internationally. The industry as a whole is seeing hope that if artisanal diamond mining can be cleaned up anywhere, it is in Sierra Leone. They are prepared to back up that sentiment with serious cash, if the basic rules can be established clearly.
10. Sierra Leone is seen as perhaps the single most important model for how a country can improve diamond management at all levels, as indicated by invitations during the past year to share our experience at international forums in Ghana, Russia, Canada, and Brazil, and visits from neighbors in Liberia.

These years of hard work at the policy, international, and local levels has developed a critical mass of institutional structures, political empowerment, and economic incentives that would have been unthought of previously in Sierra Leone – and many other countries. Make no mistake about it, each one of the ten items mentioned above has serious shortcomings and faces considerable challenges to succeed – as will be discussed below. But there is now a very substantial foundation on which to really construct something transformational. It is essential that the GOSL, communities, and international community remain committed, support the innovators on the ground, reign in misbehavior, and integrate Sierra Leone into positive international trade regimes for peace, prosperity, and international security.

PRODUCTION AND MARKETING TRENDS

Table one clearly demonstrates that considerable progress has been made in bringing the more diamonds into the legal system, while increasing the value of the diamonds exported.

TABLE 1: SIERRA LEONE DIAMOND EXPORT FIGURES 2000 TO 2004

YEAR*	CARATS	VALUE	AV. PER CARAT
2000	77,372.39	10,066,920.81	130
2001	222,519.83	26,022,492.27	117
2002	351,859.23	41,732,130.30	119
2003	506,723.37	75,969,753.32	150
2004	691,756.92	126,652,634.26	183

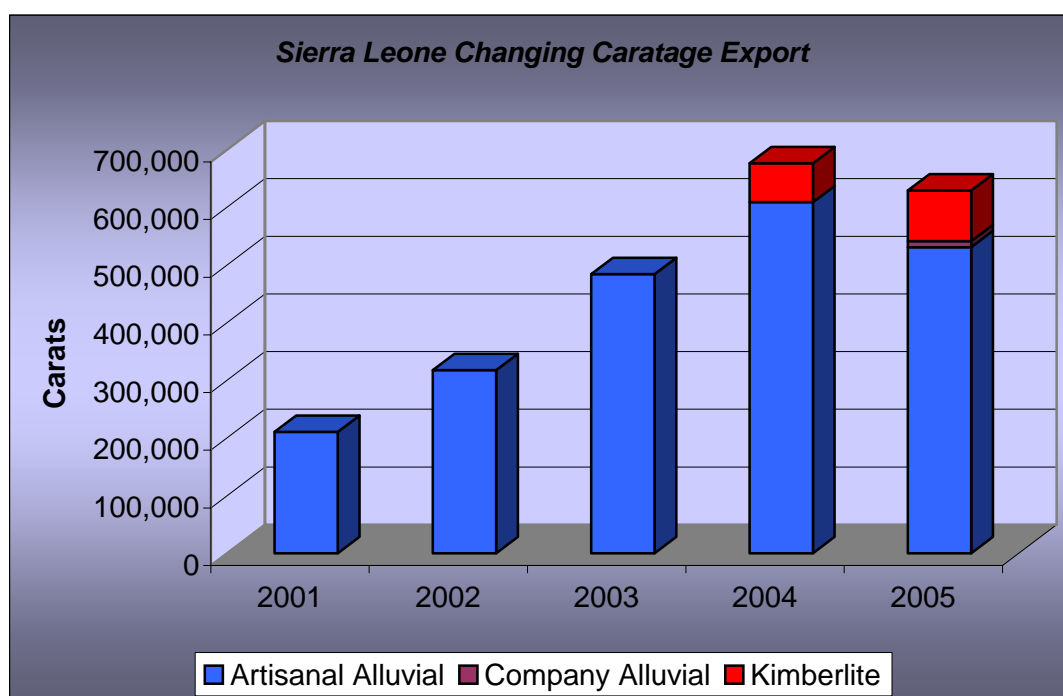
Note: These are calendar years.

Table two illustrates the current position in more detail. While exports are seen to increase in value, there is a worrying trend that the number of carats being exported is declining. This trend is most noticeable in the artisanal sector.

TABLE 2: SIERRA LEONE DIAMOND EXPORT FIGURES FOR PERIOD AND FY¹

Period	FY 2005 Exports			FY 2004 Exports	FY 2003 Exports
	Carats	\$ Value	\$Value per Carat	\$ Value	\$ Value
1st Quarter	134,477	\$25,857,164	\$192.28	\$19,122,514	\$11,212,576
2nd Quarter	147,469	\$28,363,664	\$192.34	\$28,866,917	\$16,526,536
3rd Quarter	195,994	\$46,964,660	\$239.62	\$39,415,785	\$20,563,897
4th Quarter	151,454	\$33,848,145	\$223.49	\$32,512,768	\$19,756,804
Year Total	629,394	\$135,033,633	\$214.55	\$119,917,984	\$68,059,813
% Change Year FY05 v 04	-7.5%	11.2%	17.4%	Value per carat \$177	Value per carat \$141

The graph below illustrates the makeup of the caratage being exported. Note that 15% of caratage exported is now from larger mining companies and that the number of carats exported legally from the artisanal sector showed a significant decline from FY 2004 to FY 2005.



There is a concern that the artisanal sector is suffering a reverse, either through reduced production or increased smuggling. This factor adds further significance to the Integrated Diamond Management program that attempts to bring more artisanal miners and diggers into the formal sector through mining co-operatives.

¹ Source: Sierra Leone Government Gold and Diamond Department

It appears that diamonds mined in Liberia are now being exported via Sierra Leone through the Kimberley Process Certification Scheme (KPCS). This fact was reported in the IDMP “Mining the Chaos” report, and has since been verified by research conducted by Global Witness and anecdotal reports from Liberians in the industry. While current Liberian production levels appear to be relatively small, the potential to skew Sierra Leone diamond management progress greatly increases as their production increases during the forthcoming season. This poses an imminent threat to the integrity of the KPCS.

POLITICAL AND POLICY TRENDS

The maintenance of both political will and constituency collaboration is integral to the promotion of policy and management changes that can lead to increased local income and improved security. During this reporting period a distinct reduction in political will impeded progress in the policy arm of the program. Considerable tensions existed as changes in revenue structures were proposed without involving the High Level Diamond Steering Committee.

Success of the IDMP hinges on maintaining positive working relationships with the Government of Sierra Leone (GOSL) and with the communities in Kono and Tongo Fields that are the most immediate beneficiaries of the program. Policy activity at the local level continued as the program hosted a workshop on “Improving the Effectiveness of the DACDF.” Held in Kenema, Chiefs and District Councilors from the Eastern Province participated, giving the program a wider catchment area. In addition, the Tongo Fields Chapter of the Peace Diamond Alliance held its first general meeting and the Third Annual General Meeting (AGM) of the Peace Diamond Alliance was held in Koidu.

COMMUNITY MANAGEMENT TRENDS

Four of the five mining cooperatives completed their washing during the period. The economic results were disappointing, as emphasized by investors at the PDA AGM. The PDA established a review mechanism to investigate key aspects of IDM. The report will be circulated during the next quarter. IDM continues to herald tremendous potential in Sierra Leone, and elsewhere. Having gained invaluable experience from the pilot season, IDMP must now analyze the experience, consider how systems and procedures could be improved for future efforts, and disseminate that information.

Likewise, the community-led public/private diamond management model of the PDA continues to show promise, with both the Kono and Tongo Fields committees showing more vigor lately. However, we must recognize that developing a fully autonomous and competent PDA is not a short-term undertaking.

Both key IDMP subcontracts – the external program monitoring by Global Witness and environmental management work by CEMMATS – were active. Visits by Global Witness have been extremely useful as the program builds up its operational systems with the cooperatives. Developing systems to effectively implement the IDM scheme remains an immense challenge. CEMMATS has completed their study and the draft report has been submitted.

In its continued support to the program, the Communities and Small-Scale Mining program (CASM) invited a representative to attend the fifth General Meeting in Brazil in mid-September. Mr. Sahr Nyaama represented the PDA and addressed the meeting on the topic “Mining Area Community Beneficiation – Sierra Leone’s Perspective”.

LESSONS LEARNED

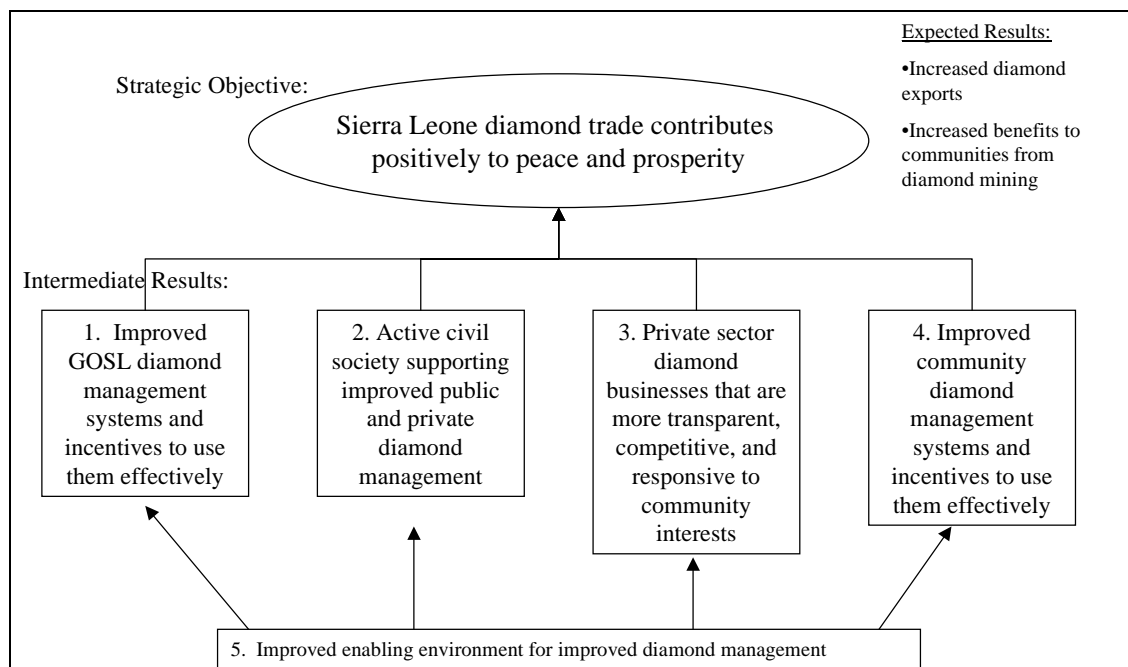
The project completed a landmark study, “Mining the ‘Chaos’ in Sierra Leone’s Diamond Fields: Policy and Program Implications of the Structure of the Artisanal Mining Sector in Sierra Leone”, compiling accumulated IDMP learning over the project period, focusing particularly on an intensive sustainability livelihoods survey completed with the University of British Colombia. We believe that this will provide valuable insights for future work in Sierra Leone as well as in other artisanal diamond producing countries emerging from war.

The program is also now compiling its experience in the pilot season of artisanal mining cooperatives. Workshops were held to determine what adjustments should be made to improve future production. These will be included in a future report in the next period.

INTRODUCTION

This Activity Report describes activities in the fourth quarter of Co-operative Agreement #636-A-00-04-00217-00, between Management Systems International and the United States Agency for International Development (USAID). These activities are executed consistently with the IDMP work plan and the objectives of the Agreement. For clarification, when using the acronym IDMP, the report is referring specifically to this USAID funded program. When the Integrated Diamond Management acronym is used, IDM, it is referring to the program's innovative conceptual and implementation model for diamond management.

In its effort to manage for results, activities are designed to achieve the outcomes summarized in the following results framework:



The main focus of the 2004-2005 year has been to ensure the principles of the Integrated Diamond Management (IDM) scheme were established and operational. Therefore, the greatest number of activities appears under IR 4. Meanwhile, it is vital to build trust and confidence through increased interaction and integration of government, private sector and communities. This process is time consuming but rewarding in increasing understanding and interdependence, while deflating potential tensions. In addition to providing greater benefits to local residents, IDM complements the Kimberley Process (KP) through the firm establishment of the Earth to Export scheme and providing a valuable on-the-ground laboratory and feedback to the KP.

The following section will present activities, by Intermediate Result, including:

- An overview of the quarter.
- Summary of work completed, by activity
- Issues needing immediate attention, if any.

Subsequent sections will discuss challenges, successes, the project's financial position, lessons learned, and highlights to be aware of in the coming period.

WORK SUMMARY, BY ACTIVITY

ACTIVITY 1: IMPROVED GOSL DIAMOND MANAGEMENT SYSTEMS AND INCENTIVES TO USE THEM EFFECTIVELY

OVERVIEW

IDMP has made significant progress during the past year in helping the Government of Sierra Leone (GOSL) make concrete policy changes to enhance diamond management, in partnership with the U.S. Government (USG) and the international community. The IDMP/ Ministry of Mineral Resources (MMR) partnership has been collaborative, candid, and cordial. At the same time, IDMP must call attention to disturbing trends in political commitment to change.

Implementation of sustainable policy change has been constrained by decreasing commitment to the High Level Diamond Steering Committee (HLDSC.) Inaction has made it difficult to gauge where real decision-making authority lies and begs the question of the depth of GOSL commitment to reform that directly challenges corruption and vested interests. It would appear that even more vigorous international pressure must be brought to bear if significant changes are to be sustainably implemented. Such changes have the potential to reduce smuggling and money laundering and to contain the very real threat to local, regional, and international peace posed by corrupted diamond marketing systems and crippled regulatory/enforcement regimes.

Despite these emerging challenges over the past two IDMP quarters, a number of important ongoing policy initiatives could have a positive impact on the sector when completed.

ACTIVITIES SCHEDULED IN WORK PLAN

Improving skills of key GOSL field staff

Over the past year, 16 MMR Mines Monitoring Officers (MMOs) in Kono and Tongo Fields have been trained in the identification and evaluation of diamonds through IDMP's "Small Stone training" program. Improved knowledge of the value of diamonds is fundamental to improving benefits to indigenous miners and diggers and ensuring that increased benefits from legitimate mining remain in the community. MMOs must receive the same training to ensure accurate advice is conveyed to miners in the field.

Six of these MMOs were further educated on IDMP's aims and objectives, as a prelude to becoming actively engaged in monitoring cooperative mining activities. Sensitization continued through this last quarter, as the MMOs' role became particularly important with mining co-operatives washing their diamond-bearing gravels.

Improving GOSL capacity to make and implement diamond policy

The program continued to serve as the Secretariat to the Technical Committee for the High Level Diamond Steering Committee (HLDSC), a body comprised of Government Ministers and heads of those international missions to Sierra Leone with interest in improving the management of the diamond sector. During the year, the HLDSC's Technical Committee provided analytic and logistical support in HLDSC deliberations on implementation of the Core Mineral Policy, anti-smuggling programs, ways to improve

public awareness of diamond issues, and the effectiveness of the Diamond Area Community Development Fund (DACDF.).

IDMP helped MMR formulate its strategy for implementing the Core Mineral Policy, which was subsequently adopted by the HLDSC. The document summarizing that strategy (attached as Annex A) prioritizes areas for ministry and donor attention. The Technical Committee also promoted, and obtained HLDSC approval for, restructuring of the Diamond Export Tax to include payments to a relatively newly formed Precious Minerals Monitoring Unit (PMMU) of the Sierra Leone Police Force. Sustainable funding of the PMMU is essential if the GOSL is to obtain adequate diamond trading intelligence and be able to reduce smuggling. This reform was recommended by the UNAMSIL-funded Diamond Security Expert and further emphasized by IDMP anti-smuggling analyses.

The restructured Diamond Export Tax also provides funds for the establishment of a Public Information Unit (PIU) at the Ministry of Mineral Resources to sensitize the public on key diamond management issues, including the rights and responsibilities of all industry participants. Despite continued Technical Committee follow-up with the Ministry of Finance, Diamond Export Tax revenues earmarked this year for each of these institutions remain unpaid (over \$45,000 per unit to date.) As a result, the PMMU continues to suffer constant staff turnover and the PIU has yet to begin to execute its critical mandate.

During the current period there has been only one meeting of the Technical Committee and no HLDSC meetings were held. Despite IDMP's best efforts, the level of governmental interaction has declined. This appears to be due to distractions resulting from preparations for the 2007 elections, to uncertainty over the effectiveness of the HLDSC, and, possibly, to limited commitment of some of its members to reform. IDMP remains in continuous communication with the US, British and Sierra Leone governments (the key international HLDSC stakeholders) to promote a solution to this current impasse.

Recruit Support for Funding training in key technical areas

One of the key areas highlighted within the strategy paper on the implementation of the Core Mineral Policy is to strengthen institutions that administer, regulate and monitor the mineral industry. The lack of mining-related training facilities has contributed to a shortage of trained Sierra Leonean nationals to fill vacancies constantly arising, both in the private and public sectors. In the past, companies undertook much of this training.

During this last quarter, the program began consultations with the MMR and the Eastern Polytechnic in Kenema to provide training for Mines Engineers. This activity will be pursued in the coming year.

Consider Assistance in Anti Smuggling Systems

The PMMU (Precious Minerals Monitoring Unit) continues to function, but only at minimal strength. Funds must be released to reactivate the unit and future assistance must be channeled through it. Hence, many of the IDMP's previous recommendations on anti-smuggling, particularly regarding potential activities at Lungi International Airport, remain on hold until the PMMU can fulfill its important role.

Implement various support activities coming from HLDSC

During IDMP's third quarter, the HLDSC approved an IDMP-led review of the effectiveness of the DACDF. IDMP facilitated a two-day workshop in Kenema to help guide HLDSC deliberations. It should be noted that much has changed in Sierra Leone since the DACDF was initiated during the war. For example, District Councils had yet to be established and there was no policy on devolution of authority – both of which are now relevant to implementation of the DACDF. With decentralization, District Councils have been added as recipients of the fund. Since District Councils are charged with ensuring development within their districts, they could prove to be productive channels through which DACDF

monies could effectively reward communities for effective diamond management. Clarification is necessary as to which institutions should take the lead: Chiefdoms? Councils? Both?

Approximately 70 participants attended this landmark workshop from local chiefdoms and District Councils, MMR, and local organizations dedicated to good governance, women and youth. The workshop did not attempt to fundamental – and potentially polarizing – structural issues, such as the formula for distributing export tax revenues based on mining licenses, or the merits of the 80/20 split between chiefdoms and councils. Instead, we focused on how to make the DACDF work more effectively within the existing framework, and fostering positive local governance partnerships between Chiefdoms and Councils – using diamond management as the means for productive collaboration. A remarkable statement of collaboration between the two emerged from the process regarding advance planning and utilization of funds. There was no support for the idea that NaCSA should supervise the fund (as had been suggested by the GOSL at one point.) While formal statements and recommendations for submission to the HLDSC will only be prepared after further consultation, the following points were agreed:

- Advance notification of pending fund allocations should be made (in August and February for the twice-yearly distributions)
- Following pre-notification of projected funding amounts, project planning and drafting will take place
- Councils will offer technical assistance and drafting facilities to chiefdoms
- Disbursement will be made after planning processes are completed
- The Ministry of Local Government and Community Development, not the Ministry of Mineral Resources, should oversee the utilization of the funds
- Regular written reports on the utilization of the funds should be made to the Ministry of Local Government and Community Development for onward communication to Cabinet

Additional issues raised were a lack of information and guidelines for use of the fund and the outstanding 2003 payment for Kono District.

These issues were circulated to members of the Technical Committee. The Government, through the MMR, has requested that IDMP assist in the formation of a devolution policy regarding DACDF. This work will continue into the second year of the program.

ACTIVITIES UNDERTAKEN OPPORTUNISTICALLY, BUT NOT INCLUDED IN WORK PLAN

1. *Anti-Money Laundering.* The Sierra Leone Anti Money Laundering Act was recently passed into law. Within this Act, traders in precious metals and stones are considered "financial institutions," consistent with provisions of the US Patriot Act. This places accountability for AML initiatives squarely on the diamond sector. Hence the Ministry of Mineral Resources has a duty to ensure standards are set regarding:

- Investment rules
- Transparent business transaction records
- The onus of "know your customer" being placed on diamond dealers and exporters
- Ensuring accountability for the above

The program is working closely with the British Department for International Development (DfID) to execute a joint study into the impact of this Act on the sector, focusing on GOSL capacity, stakeholder awareness (especially the responsibility the act places on diamond dealers), and issues of enforcement.

2. *Tongo Fields facilities.* The MMR does not have office facilities in Tongo Fields. IDMP's Tongo Fields office is available to local MMR representatives to utilize for meetings with the local mining community. In an effort to improve MMR efficiency, a radio link has been established between the Kenema district headquarters and the IDMP office. Officers are also able to compile reports using IDMP facilities.
3. *Support to the Cadastre Implementation.* Koidu is the focus for pilot implementation of a mining cadastre system for Sierra Leone. IDMP has contributed to revisions to MMO job descriptions and provided ongoing feedback to the implementing agents.

ISSUES REQUIRING ATTENTION

- *Ministry Monitoring.* Most MMOs are publicly supportive of the ideals and practices of IDMP. They began their monitoring activities at cooperative mining sites with great resolve. As the mining season progressed, however, it became more difficult to count on their continued attendance at the cooperatives' sites. Excuses for monitoring failures included lack of logistics and transportation to visit the sites. It became apparent, however, that some expected transportation payments to ensure their attendance. The issue of MMOs remains under review. (See Lessons Learned)
- *Technical and High Level Diamond Steering Committees.* These committees must be reconvened in a short time or their value will be lost. It may be necessary to consider returning to less formal, and smaller-scale, forums for policy dialogue.
- *Diamond Export Tax.* Allocations must be released to the PMMU and PIU. This is an urgent issue for the HLDSC, and remains a top IDMP priority. This has a direct bearing on Anti Smuggling activities
- *Mining Engineer Training.* The program will support MMR and Polytechnic efforts in attempting to secure funding for this training
- *DACDF.* The effectiveness of the program must be maintained so as to reduce smuggling while reinforcing the process of decentralization
- *Money Laundering.* Increasing the effectiveness of the recently passed Anti Money Laundering Act is vital to promoting security and public and international confidence in the management of Sierra Leone's diamond resource

ACTIVITY 2: CIVIL SOCIETY SUPPORTING IMPROVED PUBLIC AND PRIVATE DIAMOND MANAGEMENT

OVERVIEW

In July, the Tongo Fields chapter of the Peace Diamond Alliance held its first General Meeting, followed by the third Annual General Meeting of the Alliance in Koidu. Both meetings featured a wide cross section of the community and targets were set for the newly elected executive committees for the upcoming year. Work started immediately to address these targets. Training programs, geared to strengthening the capacity of the executive committees were completed. This training has been expanded to many core member organizations.

In recognition of the success of its grass-roots initiatives, the SINAVA group, a founding PDA women's group from Tongo Fields, received a grant from the US Ambassador's Self-Help Fund for expanding its scheme to restore to agricultural use mined-out areas.

WORK SUMMARY, BY ACTIVITY

Support to the Peace Diamond Alliance

The focus in the past year has been to improve the performance of the Peace Diamond Alliance (PDA) through strengthening its executive committees (ECs). Considerable effort has been made to improve EC members' understanding of the local dynamics and how the PDA can promote change. A group of nine EC members traveled to Ghana (with World Bank funding) to study diamond sector management and practices and all have undertaken skills training designed to enhance their performance. Five members successfully completed a two-week course in Logistics, Credit and Financial Management organized by the management-training wing of the University of Sierra Leone. Ten EC members passed a two-week training course during July this year.

Critically, the Tongo Fields General Meeting and the third Annual General Meeting of the Alliance in Koidu demonstrated a renewed awareness of the problems and the importance of a streamlined PDA to act positively. Both ECs were given extensive mandates to ensure positive local change in the sector. These were:

Tongo:

- Increased legal mining – target of 250 licenses for Lower Bambara
- Zero tolerance for illegal diamond dealing
- Formation of ten mining co-operatives
- Increase reclamation of mined-out land for agriculture to 50 acres

Kono:

- Explore ways to harmonize industrial mining and community interests
- Integrate the PDA's Executive Committees (Kono & Tongo Fields)
- Explore options to help small/medium enterprise to benefit from the Earth to Export component of IDM
- Explore ideas and put modalities in place for the establishment of a Rapaport Buying Scheme
- Examine issues of sustainability and development of "SMARTER" mining processes
- Increase collaboration with the Association for Responsible Mining (ARM), an international body interested in artisanal mining issues
- Address issues of environmental concerns/impacts
- Pursue appropriate law reforms for a transparent diamond market (buying/selling)
- Widen PDA's scope for inclusive representation (possibly at provincial level)
- Continue and expand zonal efforts to raise awareness of issues related to the mining industry
- Expand the diamond valuator training movement as a strategy to improve valuation services to mining communities
- Expand mining information networks
- Embark on effective monitoring of the DACDF fund
- Evaluate economic potential of possible cooperative mining sites by October 2005, using local sampling methods

It is encouraging that both committees have begun work and early results are encouraging. In Tongo Fields, the community, led by chieftdom and local police authorities, carried out an extensive enforcement regime against illegal dealers. Many were arrested.

In Koidu, elections for the chairman were speedily concluded, a prioritization of the mandate produced, and a two-day workshop held at the end of September, covering Improved Selection of Mining Sites, PDA Sustainability, The role of Small Mining Enterprises, and Developing an Improved Marketing Scheme. The workshop included representation from Tongo Fields. A PDA team is now producing a working document for publication based on participant recommendations.

IDMP has supported many of these activities, but the increased drive and involvement of the PDA at large is encouraging.

Provide technical assistance/training to targeted CBOs

Continued mentoring and coaching of individual CBOs continues. Drive and enthusiasm within the targeted CBOs is high, while capacity remains low. Yet, without access to some form of funding their need to develop institutionally is restrained. Five targeted CBOs expressed their desire for training in project proposal development and donor funds management. General capacity has been targeted through training in general computing, giving members' basic skills that will be useful as training in project proposal writing commences in December 2005.

Implement small Stones Training in the bush

Enormous demand for Small Stones Identification Training prompted the program to adapt the classroom-based curriculum to modules that could be taken to the field, where the wider mining community could benefit. During the past months, two CBOs, ADAGMAK and MOCKY, conducted rural community training in diamond identification and weighing, with funding and supervision from the PDA Secretariat in Kono. The small stone training was targeted to four zones within four chiefdoms of Kono District. Each of the targeted zones consisted of several villages per zone and received four weeks of the referenced training. The training was completed during July 2005.

This trial trained over 100 community members, miners and diggers. Refinements and rewrites of the training manual have now taken place and the training will recommence in January 2006. It will include Tongo Fields, where IDMP has identified four trainers from the 51 people already trained in the classroom sessions there.

ACTIVITIES UNDERTAKEN OPPORTUNISTICALLY, BUT NOT INCLUDED IN WORK PLAN

1. *CBO funding.* Opportunities for funding through the US Ambassador's Self-Help Fund were pursued by some of the local CBOs, with IDMP assistance. SINAVA Women's Group, based in Tongo Fields, was accepted and has recently received payment of \$2,754 from HE Thomas Hull. SINAVA, a women's self-help group dedicated to creating alternative income opportunities to families, will use the funds to continue its work in reclaiming mined out areas and returning them back to sustainable agricultural use
2. *Dissemination of Lesson Learned.* In its continued support to the program, the Communities and Small-Scale Mining program (CASM) invited an IDMP staff person to attend CASM's fifth General Meeting, in Brazil. Mr. Sahr Nyaama represented the PDA and addressed the meeting on the topic "Mining Area Community Beneficiation – Sierra Leone Perspective". CASM and IDMP jointly funded participation. A full report is to follow.
3. *Increasing awareness.* Following on the successful Kadir van Lohuizen Diamond Photo Exhibitions in Freetown and Koidu, IDMP displayed it in Tongo Fields, immediately after the General Meeting. Achieving a similar response to Koidu, over 1,500 people visited the exhibition.

Viewers' comments made moving. One comment is indicative: "As miners, these pictures are telling us how valuable diamonds are. But we here are not getting the benefit. Some of us are just mining because there are no other jobs we are qualified for." (Alfred Conteh , July 16, 2005)

ISSUES REQUIRING ATTENTION

1. *Executive Committees.* Throughout the year, the Peace Diamond Alliance and its executive committees grappled with increasingly important issues. From its fledgling beginnings, issues of self-governance and decisions regarding the use of funds from CASM provided an opportunity to learn from the very real clash between personal and group objectives. A potentially stronger Peace Diamond Alliance may emerge from this tension. The group has recognized these challenges, and needs continued support in grappling with them.
2. *Job creation.* An added benefit of the Small Stones Training is that at least one graduate managed to obtain employment in a diamond dealing office. Unfortunately, that employment ceased when the company ceased operations. In future, the program will work more proactively to assist selected graduates to find local employment.

ACTIVITY 3: PRIVATE SECTOR DIAMOND BUSINESSES THAT ARE MORE TRANSPARENT, COMPETITIVE AND RESPONSIVE TO COMMUNITY INTERESTS

OVERVIEW

Chaim Even-Zohar noted in his 2003 IDMP report that the diamond industry of Sierra Leone "can be considered as one large mine with the exporters as the owners."² As Export License fees were raised to \$40,000 and minimum export levels for each exporter were set at \$5 million, the number of exporters has reduced considerably. Although currently there are only significant major exporters, beneath them lay a plethora of agents and dealers – some legal, but many illegal as well. It is often outside of the recognized buying centers that the illegal trade exists as is evident in Tongo Fields. Progress in reducing these numbers remains slow.

Since 2003, considerable efforts have been made to encourage larger-scale private investment into the Sierra Leone diamond industry. Kimberlite and larger-scale alluvial diamond mining companies now account for 15 percent of all diamond exports from the country. Where companies demonstrate a degree of corporate social responsibility (CSR), they can not only provide well-paid job opportunities,³ but also can contribute positively to development of the area.⁴ Where companies ignore their corporate social responsibilities there is often confrontation. The program is actively involved in attempting to minimize such confrontation.

² Chaim Even-Zohar "Sierra Leone Diamond Sector-Financial Policy Constraints" MSI 2003

³ Koidu Holdings' salary scales, for example, now form the negotiation targets for the United Mineworkers Union

⁴ Africa Gold and Diamonds, for example, constructed a major bridge over the Bafi River allowing communities in Sandor chiefdom much easier access to Koidu and its markets.

WORK SUMMARY, BY ACTIVITY

Reduce the percent of illegal diamond buyers in Tongo Fields

This issue continues to be a thrust of the program in Tongo Fields. Following the recent General Meeting in July, where eliminating illegal dealing was accepted as a target for the Peace Diamond Alliance executive committee, action was evident. The community, led by chieftdom and local police authorities, carried out an extensive enforcement regime against illegal dealers. Many were arrested. We await the start of the new mining season to see if the initiative results in greater acquisition of marketing licenses.

Many Sierra Leoneans have opted for the less expensive dealer agent license. There are currently eight such registered agents in Tongo Fields. When the program started in that location there were none. On the other side of the ledger, quoting lack of trading profit and the increased license fees, the sole licensed dealer in Tongo Fields has decided not to renew his license.

Recruit investors to IDM Direct Investment Program

Tiffany & Co. and other diamond businesses have indicated a strong interest in supporting cooperatives in the 2005-2006 season. Meanwhile Milestone, a mining company based in Kono, had also pledged support to three mining cooperatives. However, based on the remaining program timeframe and the results from this season's pilot scheme, the program would only act in an advisory role for any future investment. Thus, we do not anticipate significant movement in supporting artisanal mining cooperatives in the coming year.

ACTIVITIES UNDERTAKEN OPPORTUNISTICALLY, BUT NOT INCLUDED IN WORK PLAN

The Peace Diamond Alliance continues to act as a mediator in the ongoing resettlement of families directly affected by the kimberlite mining operations of Koidu Holdings (KH). House construction continues in a more acceptable manner, although the pace remains much slower than expected. Acting as chair of the Resettlement Committee, IDMP interacts with KH, local authorities and the community to ensure that the confrontation of two years ago does not recur.

KH has also commenced setting up its operations in Tongo Fields. IDMP has facilitated meetings with the community and helped to establish a liaison committee, including women and youth representatives, to promote effective community/KH communications.

During the last season, the Milestone mining company applied to become a member of the Peace Diamond Alliance. Investigations revealed that the company had a poor relationship with the community. This stemmed from seemingly poor employment and safety practices. IDMP raised these issues with the local authorities, who addressed them to the company headquarters. Recent changes in management are seen as an effort to amend relationships with the community.

ISSUES REQUIRING ATTENTION

1. *Illegal dealing.* Limited incentives exist to encourage community response to the issue of illegal dealing. The current system of reward following information leading to successful prosecution is

viewed as time consuming and there is little faith in rewards being paid. An improved reward mechanism must be developed.⁵

2. *Private investment.* It is anticipated that more large-scale mining operations will open in both Kono and Tongo Fields in the next season. The provision of long-term paid employment for Sierra Leoneans is vital. The program will work with the MMR to ensure companies understand benefits from improved CSR.

ACTIVITY 4: IMPROVED COMMUNITY DIAMOND MANAGEMENT SYSTEMS AND INCENTIVES TO USE THEM EFFECTIVELY

OVERVIEW

All of the activities outlined within this section are either close to or are complete, as detailed in the work summary. However as this section involves groundbreaking work, it is important that we mine lessons learned from the experience. These are highlighted within Issues Requiring Attention, below. Owing to program timing, poor economic results and what was learned, it is not possible to repeat this exercise in the same way this coming mining season. However given the depth of the lessons learned, the program will take this time to review all levels of activity and produce thorough documentation, publish improved methodology, identify needs and provide further training during the remaining three quarters of IDMP.

At the broadest level, the purpose of the program remains to convert the diamond resource from a source of war and desperation to a foundation for peace and prosperity. This component forms the focus of the Integrated Diamond Management (IDM) scheme, by attempting to demonstrate in Kono District, Sierra Leone – that an alluvial diamond industry can “work.” That it can:

- have a transparent, fair, and safe local market
- maximize benefits to local miners, diggers, and their communities
- track diamonds from earth to export
- minimize corruption
- mobilize local surveillance and mines monitoring

From the outset of the Integrated Diamond Management program, mining co-operatives were identified as the vehicle to carry reform forward in the artisanal mining sector in Kono. Each co-operative member holds shares for dividend distribution. The concept is built on the principle of internal self-monitoring, with strict procedures and external oversight. However, at the start of the program, funding for co-operative mining was far from certain, pending results of an environmental assessment (EA) and other outstanding issues. Establishment of co-operatives and training had to commence, without the certainty that mining would take place. This created numerous difficulties as the program went ahead while trying to contain expectations.

The EA carried out by USAID – to establish if USG funds could be used to fund cooperative mining ventures – was executed after the program had already begun. The report has not been published. As USAID funds were on hold, pending the results of the EA, IDMP attempted to source alternative funding to support the coops’ work. The program was eventually able to attract private investment through The Rapaport Group and Kono’s Hope. Their funds provided key support to the pilot scheme, by funding five mining co-operatives in a carefully structured and rigorously monitored approach. Project monitors’

⁵ Note the success of the DACDF in increasing the number of mines functioning within the formal sector.

efforts were independently reviewed by Global Witness. Unseasonably wet weather delayed the start of the pilot scheme. Nevertheless, four co-operatives completed their mining and washing activities during the period. The fifth will finish in November. However, great expectancy turned to disillusionment, as economic results proved far short of expectations. A combined total of 222 diamonds, weighing 42.6 carats with an estimated value of \$2,800 were produced by the four co-operatives supported by The Rapaport Group.

Despite these setbacks, we continue to consider the basic concept valid, essential systems remain in place, and communities continue to form mining co-operatives. During this period, Master Trainers trained an additional ten cooperatives, including some in Tongo Fields. It is anticipated that the “Sustainable Artisanal Mining Procedures” and the results from the recent workshop held by the PDA in Koidu will be used to address issues pertinent to the co-operative mining during the next season.

WORK SUMMARY, BY ACTIVITY

Design and Apply Co-operative selection criteria

Selection criterion were designed and utilized to initially select four cooperatives for support by The Rapaport Group. A fifth coop was subsequently selected in response to appeals from Kono’s Hope to be included in the program.

Complete preparatory training for participating cooperatives.

Training included all members. Sessions on the formation of co-operatives were carried out by program staff and the Ministry of Trade and Industry. Sessions on the ideals of cooperatives and member roles and responsibilities were led by Master Trainers, as directed by Dr. Gloria Fauth. Additional training was provided to selected representatives by program staff and by the Ministry of Mineral Resources on topics such as basic bookkeeping, stone identification, diamond weighing, and rules and regulations for cooperatives.

Design follow up-training for season

Continuous meetings with cooperatives consistently addressed segments of the IDM program. Despite this continuous task, not all members fully understood all aspects of the program.

Develop IDM Documentation

Updating this manual and the agreements contained within is now a work in progress, following the experience of this season.

All cooperative members have been issued ID cards. This allows monitors to easily identify those who are not members in the locality of the mining site. This was a very time consuming and difficult exercise with over 300 ID cards produced.

Arrangements with Rokel Bank

As part of an ongoing process, the ROKEL Commercial Bank and the IDMP team established all protocols for opening accounts, depositing and maintaining winnings in a safe box, and arranging for payment. Physical infrastructure was provided to store winnings. As we now approach the first exports, considerable effort is being made to ensure their integrity, consistent with “fair trade” principles.

Develop Sustainable Artisanal Mining Procedures

The use of the services of Sierra Leone's leading mining engineering firm, CEMMATS, includes efforts by the IDMP to effect a system that will increase mine productivity, reclaim mined-out areas, and encourage safe mining. Delayed approval was compounded by the contractor's late start on producing "Sustainable Mining by Artisanal Miners" – SMARTER Procedures." These were not included in the cooperatives' mining practices this season. At the beginning of September 2005, CEMMATS met with the PDA Secretariat and the Chairman of the Kono Executive Committee to submit a draft of the required document for discussion and comments. The draft has been circulated, commented on, and returned to CEMMATS for completion. The production of a policy document and training of mining co-operatives remain outstanding.

Results are also due from a recent workshop held by the PDA in Koidu to address issues pertinent to this cooperative mining season. Following discussions on improved selection of mining sites, PDA sustainability, the role of small mining enterprises, and developing an improved marketing scheme, it is envisaged that the two reports will form the basis for improved methodology training for co-operatives during this next phase.

Internal monitoring of cooperatives

The program, starting with two monitors, employed an additional three temporary monitors to ensure that all sites were fully monitored during washing. Updated internal monitoring reports were completed upon visits to sites, and it is apparent that these will need to be further reviewed.

External Monitoring of IDM Process

Global Witness undertook a review of existing monitoring and is organizing a training session for both program and MMR monitors scheduled for January 2006. Publication of Global Witness activity reviews will also be completed in the next period. Their comments and operational observations have been crucial in ensuring the monitoring process remained tight. At the point of treating gravel, Ministry monitors are also supposed to be present. Sadly, without program insistence, no monitors would be on site. This issue was highlighted in Activity One.

Update MMR on progress

This has been constant throughout the exercise year.

Prepare Participating Co-operative Profiles

Completed.

ACTIVITIES UNDERTAKEN OPPORTUNISTICALLY, BUT NOT INCLUDED IN WORK PLAN

Overall, mine monitoring remains a challenge. The small number of MMOs, the lack of logistics to support their work, and the poor remuneration for MMOs virtually doom the current system to failure. A recent local initiative being tried in Koidu may provide ideas for alternative approaches. During the past two periods, Chiefdom Mining Committee monitors from Gbense and Tankoro chiefdoms in Koidu have been used – with support from a senior MMO – to monitor mining sites in their respective chiefdoms. As funds from the DACDF also serve as an incentive to chiefdom authorities to promote legal mining, these volunteers get bonuses from the chiefdom for bringing in additional license revenue.

The system is far from perfect. Many miners see the volunteer monitors, who are often youths, as yet another form of harassment. However, this complaint is often from those who operate illegally. If successful, the trial would have enormous potential and is being closely observed by the program.

ISSUES REQUIRING ATTENTION

- *Design and apply co-operative site selection criteria.* The selection criteria for cooperatives was set, but insufficient attention was paid to objective assessment of the potential productivity of the sites selected. In the future, a longer lead-time needs to be given to this important exercise. Ideally, selection would take place the season prior to mining.
- *Complete preparatory training for participating cooperatives.* This should be in conjunction with the selection process, hence starting one year prior to mining.
- *Complete IDM documentation.* All documentation, procedures and agreements will be reviewed and a full manual produced. Maintaining the cooperative member database can become a time consuming exercise.
- *Develop sustainable artisanal mining procedures.* The program has to ensure CEMMATS are fully engaged as per their agreement to avoid further delays.
- *Internal Monitoring of Cooperatives.* The employment of temporary monitors is not satisfactory. There is potential for the emergence of conflicts of interest that are not evident in interviews. This needs further attention.
- As previously stated, it is extremely difficult to assure MMO participation at the point of washing. Lack of numbers (in Kono there are 65 monitors to over 900 licenses and five operating companies) mean that it is impossible for monitors to monitor all sites all the time. The issue of MMOs remains under review.
- *Funding and timing.* These issues are addressed in Lessons Learned, but the short funding cycles and uncertainty of funding is worth highlighting here. In such development work, risks must be minimized, and rising expectations managed. If funding is unsure, planning can be an enormous challenge and delivery jeopardized.

ACTIVITY 5: IMPROVED ENABLING ENVIRONMENT FOR IMPROVED DIAMOND MANAGEMENT

OVERVIEW

Understanding of priority diamond issues has improved throughout the year. Greater awareness of the importance of the environmental degradation from mining was demonstrated by mining policy measures and increased reclamation dues. The passing of the Anti-Money Laundering Act reflected a growing commitment to improve trading standards.

Meanwhile, the dormancy of the HLDSC during this period, when major contentious issues are being put forward, is disturbing. Sierra Leone also failed to submit its production reports to the Kimberley Process on a timely basis. Such inaction threatens the nation's continued membership in the Kimberley Process Certification Scheme.

WORK SUMMARY, BY ACTIVITY

Ongoing Support to the HLDSC

During this period there was only one meeting of the HLDSC. Apparent waning interest in the HLDSC is a disturbing trend and has slowed progress made earlier in the year. In the absence of HLDSC meetings, the program briefs the US and British governments and continues to liaise with the Ministry of Mineral Resources to maintain focus on relevant issues.

Despite the lack of HLDSC meetings, the IDMP, in its role as Secretariat, has aggressively responded to GOSL proposals to increase the level of diamond export taxes and to make such increases retroactive. Both are contentious issues that could negate the progress made during the past years.

Consider other specific policy implementation assistance

The program has proposed potential anti-smuggling initiatives at Lungi International Airport and created a strategy for the implementation of the Core Mineral Policy. These issues await comment from Technical Committee.

Meanwhile, a new Anti-Money Laundering Act has been passed. Money laundering includes both cash and the goods being traded. The Act, by considering dealers in precious metals and stones to be "financial institutions," places responsibility on the whole of the diamond sector. This is consistent with the U.S. Patriot Act. The Ministry of Mineral Resources has a duty to ensure standards are set regarding:

- Investment rules
- Transparent business transaction records
- Ensuring that the onus of "know your customer" is placed on diamond dealers and exporters

Such focus brings Ministry capacity, stakeholder awareness (especially the responsibility the Act places on diamond dealers), and issues of enforcement to the fore. IDMP will team with DfID to help the government consider ways to enhance the effectiveness of the legislation.

Increase national awareness of diamond issues

Following the initial success of the zonal meetings, the program has linked with Talking Drum Studios to produce a documentary on diamond mining issues for screening on National Television and also for use at future zonal meetings. Interviews with key stakeholders have been filmed and the editing is now taking place.

In addition, Peter Conteh, a Sierra Leonean studying at Manchester University, completed a short documentary on Diamond Mining in Sierra Leone, featuring program work and the Peace Diamond Alliance. The launch of the documentary will take place in the UK during October.

Improve effectiveness of DACDF

The intended workshop aimed at "improving the effectiveness of the DACDF" took place in Kenema during July. This extended dialogue beyond the geographic boundaries of Kono District and the Lower Bambara Chiefdom. The workshop examined DACDF effectiveness at the Provincial level, encompassing 78 percent of the total DACDF expenditures (Kono, Kailahun, and Kenema Districts).

As part of the program's monitoring and evaluation efforts, 23 chiefdoms and two district councils were visited. The results indicate that:

- In addition to public information relative to project expenses, chiefs must regularly engage the entire chiefdom population and inform them about work being completed with the funds, the sources of funding, and the overall purpose of the DACDF fund.
- Chiefdom Development Committee membership must be diversified beyond section chiefs. Decisions regarding project choice and design should reflect the aspirations and representation of various social groups in the chiefdom.
- Project planning and prioritization remains urgent. For example, three out of the six DACDF-eligible chiefdoms in Kono have greatly exceeded their completion deadlines for projects initiated in 2002/3, often because the projects undertaken were too large. In all cases, multiple disbursements over a long period of time would be required to complete current projects.
- Projects so far implemented under the present arrangement seem to support the aspirations of the local status quo of the few politically powerful, rather than the wider aspirations of the community.

These issues will form the basis of a further study and proposal for the devolution of the DACDF. Meanwhile, future challenges could emerge as councils anticipate that devolution means control of physical money as opposed to control of the development process.

Improved policies and practices for reclamation

Previously noted activities include a disbursement of funds to SINAVA from the US Ambassador's Self-Help Fund for continued reclamation of former mining land in Tongo Fields. Targets for areas under reclamation in Tongo Fields have doubled to fifty acres.

While the Kaisambo reclamation project in Kono District has not been completed as expected, communities have planted rice over the entire area, approximately 20 acres. This will be harvested during November-December.



SINAVA participants at the Tongo Fields Peace Diamond Alliance General Meeting

Another indication that momentum is building for more rational land use decisions is in the Congo Creek area, just outside Koidu Town. This area, like Kaisambo, has been continuously mined, and is now deemed worked out. Authorities have declared that no new mining licenses will be issued there. Some of this area is already planted with rice.

Improved policies and practices for environmental management

Four of the funded co-operatives have undertaken environmental reclamation after mining, a first at this level. Meanwhile the CEMMATS draft study has been received and will be reviewed to form part of training processes for artisanal alluvial diamond miners.



Mining cooperative completes washing



Mine following rehabilitation

Support implementation of Kimberley Process

The program continues to offer support to the Kimberley Process, monitoring closely the export reports of Sierra Leone. However, production reports from the Ministry of Mineral Resources are less useful, and were not submitted throughout 2005. The trial implementation of a cadastre recording system will help improve GOSL ability to estimate production, but key issues need to be resolved. The government has not indicated a clear policy regarding monitoring and the collection of production data. Meanwhile, the Kimberley Process demands the monitoring of all mining sites at the time of treating gravel and the observation of all sales and transactions. This is not a realistic target for Sierra Leone. For example, in order to comply with these requests, approximately 2500 mine monitoring officers would need to be employed, equipped and managed. Clearly, this will never be feasible.

This is an issue that the program will take to the next plenary meeting of the Kimberley Process in Moscow in November 2005.

ACTIVITIES UNDERTAKEN OPPORTUNISTICALLY, BUT NOT INCLUDED IN WORK PLAN

Sierra Leone's diamond industry has been perceived as the development backbone for the country. While considerable funds are returned to diamond mining communities, the development needs are far greater than the resources available. In addition, the GoSL also has virtually insatiable revenue demands and is attempting to increase revenue from the industry. As Secretariat to the HLDSC, the IDMP continues to advise against tax increases without significant research, as these increases bear the potential to distort trading practices and promote smuggling by driving the industry back underground.

ISSUES REQUIRING ATTENTION

During September, a taxation issue arose between exporters and government. While exporters currently pay three percent export duty, the income tax law also demands exporters pay an additional three percent of gross revenue. This second three percent has not been collected or paid. There is an impasse dominated by whether this sizeable outstanding tax can be collected retroactively.

Three issues are relevant:

- What system has been put in place to collect the three percent tax from today forward?
- What would be the implication of effectively doubling the export tax?
- What would be the implication of government trying to collect the revenue retroactively?

The issue of mines monitoring and government production reporting remains, at best, contentious. Possibly the Kimberley Process Plenary will provide clarity over these issues for the future.

ACTIVITY 6: PROGRAM MANAGEMENT ACTIVITIES

OVERVIEW

The Technical Director visited the program during August and stayed through the AGM in Koidu. The period was overshadowed by the death of the Kono Project Co-coordinator Mr. Tamba Sandi, who was one of the programs long-standing staff members. This loss has had a negative effect on morale.

WORK SUMMARY, BY ACTIVITY

Visit of Technical Director to Field

Mr. Mark Renzi visited the program in August and was present during the Annual General Meeting of the Peace Diamond Alliance in Koidu.

Weekly staff meetings and Monthly Managers' meeting

Weekly staff meetings continue, but as the program is now clearly defined managers meet only at two monthly intervals.

ACTIVITIES UNDERTAKEN OPPORTUNISTICALLY, BUT NOT INCLUDED IN WORK PLAN

None

ISSUES REQUIRING ATTENTION

The loss of Mr. Sandi and the possible resignation of another member of staff to pursue a more ambitious national agenda have and will continue to affect team morale. During the next quarter management staff meetings and activities will focus on rebuilding team and program energy.

EVENTS, VISITORS, AND TRAVEL

The Tongo Fields General Meeting took place between 13 and 14 July. The Honorable Minister Daramy, the Minister for Development, who is a citizen of Lower Bambara chiefdom, gave the keynote address.

The Deputy Minister for Mineral resources, Mr. Morlai Bai Kamara, addressed the Kono Peace Diamond Alliance, held in August 2005. Also attending, Mr. Greg Vaut (USAID/WARP) represented the US Ambassador and Mr. Abdulai Jalloh represented USAID. The two investors in the Integrated Diamond management project were represented: Kono's Hope by Mr. Joe James and The Rapaport Group by Mr. Vinod Kuriyan. Other notable attendees were Mr. Jan Kettlaar representing DfID, Simon Gilbert of De Beers and Greg Valerio representing fair trade jewelry producers.

A workshop to improve the effectiveness of the DACDF was held in Kenema with Chiefs and Councilors from the Eastern Province.

The Technical Director and the Acting Program Manager visited the program in August.

The Team Leader visited Washington during September.

In its continued support to the program, the Communities and Small-Scale Mining program (CASM) invited a representative to attend the fifth General Meeting in Brazil in mid September. Mr. Sahr Nyaama represented the PDA and addressed the meeting on the topic "Mining Area Community Beneficiation – Sierra Leone Perspective". CASM and IDMP jointly funded Mr. Nyaama's trip. A full report is to follow.

HIGHLIGHTS OF UPCOMING PERIOD

1. Improved GOSL diamond management systems and incentives to use them effectively

The IDMP, in partnership with DfID, will conduct a study of the challenges in implementing the new anti-money laundering law effectively, with an emphasis on diamonds.

2. Active civil society supporting improved public and private diamond management

The program will redouble its efforts to strengthen the Executive Committees of the Peace Diamond Alliance.

3. Private sector diamond businesses that are more transparent, competitive, and responsive to community interests

Negotiations will continue with anticipated local companies, such as Milestone, SLDC and Magna Egoli. We will also work with a World Bank-led group to develop fair trade standards for diamonds and gold mined artisanally.

4. Improved community diamond management systems and incentives to use them effectively

Reports from CEMMATS, Global Witness and PDA will be published.

5. Improved Enabling Environment for Improved Diamond Management

The Team Leader will participate in the Kimberley Process Plenary meeting in Moscow.

6. Program Management Activities

Work plan will be updated.

FINANCIAL STATUS

Please see Annex B for a financial statement of costs billed and committed by the program through the end of the second quarter.

LESSONS LEARNED

- While the program has, for some time, enjoyed a cordial working relationship with the Government of Sierra Leone, through the Ministry of Mineral Resources, the political will to champion change has been seen to be fragile during the past period. Will has been influenced by the recent period of friction between the Government of Sierra Leone and the donor community at a time when political preparations for the 2007 election commenced.
- The Peace Diamond Alliance continues to serve as an effective conflict management mechanism in the local diamond sector. However, indigenous initiative within the PDA remains weak, as it still requires considerable drive and support from the Secretariat.

- In its attempts to attract foreign investment in the diamond sector, the Government of Sierra Leone has allowed a number of less satisfactory agreements to become operational. These agreements must now be reviewed and standards reinforced.
- As further private sector funding is pledged for the IDM program, the role of the Monitoring Officer must be more clearly defined. Unclear instructions and inconsistent controls allowed monitoring rigor to slacken.
- The value of mining co-operatives in bringing miners and diggers into the formal sector is widely recognized. However, as financial results have proved less than satisfactory, the review process of the past season's activities takes a greater significance. There are a large number of administrative, systemic, and bureaucratic challenges related to managing IDM. As the new season approaches, the review must be widely circulated and thoroughly reasoned to ensure that vital lessons are recorded. We must focus on what can be improved in order for the program to succeed in the future.

ANNEX A: CORE MINERAL POLICY IMPLEMENTATION STRATEGY

A STRATEGY PAPER FOR THE IMPLEMENTATION OF THE SIERRA LEONE CORE MINERAL POLICY (CMP)



Prepared and Submitted by:

The Secretariat to the Technical Committee and the High Level Diamond Sector
Steering Committee (HLDSSC)

Date: March 2005

1. Introduction:

The Government of Sierra Leone has in 2003 developed a Core Mineral Policy (CMP). Comprising of ten strategic objectives (see Annex 1), the CMP was designed to “create an internationally competitive and investor-friendly business environment in the mining sector”. It is also expected to “assist the mining industry in attracting foreign and local private sector funds and to provide benefits and protection for the people and the environment of Sierra Leone”. Part of the policy goal is to “provide an enabling legal and fiscal regime for all mining operations from large-scale mines to the small artisanal gold and diamond mines in the provinces”.

In pursuit to achieve the above policy aspirations and recognizing how seriously national institutions have been weakened by ten years of civil conflict, the government of Sierra Leone had engaged donors and other stakeholders on a Diamond Reform Sector Programme (DRSP). This initiative has yielded some positive developments including support to fund the development of a modern cadastre system, support to the Law Reform Commission (LRC), provision of basic mines monitoring equipment and joint DACDF monitoring. Also worth noting is that Sierra Leone’s diamond exports continue to increase in value per carat and total value of exports, within a buoyant market.

Despite these remarkable efforts and diamond value increases, there remain some gaps with obvious implications on the industry’s capacity to sustain and maximize local beneficiation including an increment in private sector investment. For this purpose, and based on MMR priority options, a key outcome of government/donor policy engagement has led to the development of a Logical Framework (see Annex 2).

2. Strategy Goal and Purpose:

The Logframe is an analytical policy document meant to coordinate various policy activities. By identifying structural gaps and suggesting key areas for government and donor intervention as well as describing current interventions, the Logframe serves as the basis for a speedy and systematic implementation of the Core Mineral Policy.

3. Strategic Objectives:

While areas such as the legal reform process, including the development of a modern cadastre system, are underway, the Law Reform Commission will only complete the law-harmonization task by the close of 2007. Aware of such gaps and duration, the Ministry of Mineral Resources (MMR) has during the past four months, embarked on developing short-term measures which includes the identification of six out of the ten CMP objectives as priority intervention areas including capacity development of the ministry itself. In the order of MMR priorities, these areas are:

- Strengthen the Institutions that Administer, Regulate and Monitor the Mineral Industry
- Review and Amend Mining Laws, Regulations and Associated Laws
- Attract Private Investments into the Minerals Sector.
- Improve the Regulation and Efficiency of Artisanal and Small-Scale Mines
- Minimize and Mitigate the Adverse Impact of Mining Operations on Health, Communities and the Environment.
- Promote Improved Employment Practices, Encourage Participation of Women in the Mineral Sector and Prevent the Employment of Children in Mines.

4. Implementation strategy by key objectives:

It is important to note that some aspects of the policy, while they remain crucially urgent cannot be implemented until minerals and other laws have been successfully harmonized. This is a catch 22 situation, that is, you can't do this until that is done. On the other hand, the under mentioned objectives of the policy can be implemented because the bases to legally to do so already exists and in most cases, a political will is more required than the critical donor input.

Objective A. Strengthen the Institutions that Administer, Regulate and Monitor the Mineral Industry

Background

Two divisions of the Ministry, Mines and Geological Survey, are charged to “Develop policies and programs for the systematic and economic exploitation of mineral resources” and to “formulate appropriate regulations for the mining industry and related activities to ensure that the nation derives maximum benefit from the mineral resources.” The most obvious gap in Sierra Leone’s mineral sector is the acute shortage of professional and human capacity to carry out the above stated mandate. With only 19 technical experts and a little over 200 Mines Wardens, the Ministry of Mineral Resources is faced with the daunting task to oversee an expanding mineral industry. Apart from issues related to inappropriate staff recruitment policies, a common joke in the MMR is that the youngest Mines Engineer is not less older than 40 years and this underpins the urgency for training and development of adequate staff in the institutions dealing with the mineral sector. There has more recently been a spate of problems between various stakeholders both in the artisanal and large-scale mines, many of which can be attributed to ineffective monitoring and information dissemination. The majority of Mines Wardens and Monitoring Officers have little or no skills about how to effectively carry out their monitoring duties.

The rationale

It is therefore apparent that the Ministry of Mineral Resources does not only lack the requisite number of personnel and proficiency to carry out its various functions, but also handicapped in terms of logistics and other basic requirements. This strategic paper is meant to highlight the issue in the first place and propose that funds should be provided to address training needs at the MMR in order to provide training courses for different levels of staff, especially within the Mines Division to carry out their functions effectively.

Areas for Training

Although not exhaustive, DfID, a key player in the Diamond Reform Sector Process had envisaged that the following would be key areas for training and that courses will depend on requirements for the particular job:

The Directorate	Engineers	Mines Wardens	Mines Monitoring Officers
1. Mineral policy formulation Strategies	1. Surface mining-concepts and equipment	1. Summary of Surface Mining	Mining concessions and obligations
2. Refresher courses on Mineral/Mining negotiations & Agreements	2. Mineral processing	2. Summary of Mineral Processing	Basic identification and valuation techniques
3. Mineral Legislation, Mineral Law Application & Inter-phasing with other institutions/agencies	3. Mineral exploration	3. Legal issues in mining	3. Legal issues in mining

and communities			
		4. Training in data gathering, reporting and community relations	4. Training in data gathering, reporting and community relations
	5. Surveying/GPS and mapping	5. Basic training in Surveying/GPS and mapping	5. Basic training in Surveying/GPS and mapping
	6. Mining concessions and obligations		
	6. Underground mining	6. Environmental matters	
	7. Control of explosives	Artisanal mining techniques	
	8. Environmental impact assessment		
	Artisanal mining techniques		

Description

A training team will work with Ministry officials in designing local training initiatives and interventions. The framework will be designed to meet performance needs and will have the following.

1. Accurate identification of training needs
2. Design a quality training system based on requirements of the ministry
3. Effective and high quality training delivery
4. Institute a system of quality assurance to guarantee the effectiveness of the training programs.

The team will do an initial evaluation of what is required for each of the training courses by liaising with the Ministry, professional institutions and getting relevant literature, plans etc. The training programs will be prepared for various levels of competence.

Considering that there will be logistical arrangements associated with the training of large number of staff, the Ministry will liaise with the training team to professional institutions either locally or in the sub-region to make convenient arrangements for the training of staff.

Schedule

It is anticipated that the various project elements will be handled in the duration indicated below.

Duration	(months)
a) Identification of training needs	1
b) Design of training program	3
c) Training delivery	3
Total	7

Target Beneficiaries

The staff involved will have the opportunity of improve their technical and managerial skills. The Ministry of Mineral Resources will benefit in having competent staff that can effectively handle its mandate. Artisanal miners will benefit by having proper technical advice from Ministry officials in carrying out their mining activities and in being properly monitored. Large-scale mines will also benefit

by easier resolution of problems with stakeholders. Overall the country will benefit by having a well-regulated mining sector.

Implementation

The Ministry will tender and recruit competent team members and identify relevant professional institutions to implement this component. Where local experts could not be availed, a combination of local and foreign experts will implement the project. For good reasons and reasons of continuity, local experts will play a major role. Foreign expert will provide the expertise and international dimensions required.

Resources Required

The Ministry will require funds to pay the team and address logistical needs of this component.

Supervision/Monitoring.

The project will be supervised and run by the team in conjunction with the identified institutions. They will however receive oversight and liaise extensively with the Minister and senior staff of Mineral Resources.

Objective B. Review and Amend Mining Laws, Regulations and Associated Laws

Background

Based on the objectives stated in the Core Mineral Policy and consistent with the sector's overall national Poverty Reduction Strategy Paper (PRSP) objectives, the MMR have requested donors to support an ad hoc Law Reform Commission instituted by parliament to review and redraft laws related to the mineral sector. The review and redraft of the laws will produce one consolidated Minerals Law. It is anticipated that mining regulations will be consistent and that current policy ambiguities are clarified all of which, will help to curb illegal and inappropriate practices in the mineral sector.

Managed by Dr P Tucker, the Law Reform Commission will extensively consult with civil society and other relevant stakeholders to ensure that consolidated laws are redrafted in such a way as to be most appropriate for the future of the mineral sector. Apart from the fact that the Law Reform Commission will only complete the law-harmonization task by the close of 2007, much is already happening in this area including the development of a modern cadastre system. The process will also consider the role of the Chiefs and local government in the granting of legal rights in the diamond sector. The review will also consider measures to regulate future underground mining activities and to provide protection for the environment.

The most obvious gaps under this objective are related to issues of compliance and public information access. To address such issues requires the following:

- I. Re-establishment of the Chamber of Mines
- II. Speedy establishment of a Public Information Unit at the MMR

The rationale

The spate of problems between various stakeholders both in the artisanal and large-scale mines could be avoided with the establishment of both the Chamber of Mines and a Public Information Unit at the MMR. To start with, the Chamber of Mines will serve a dual role in providing regulatory and other sector compliance information to prospective investors and at the same time serve as an arbitrator between the various competing interests in the sector. Now that some funding has been secured for the establishment of a PIU at the MMR, the importance to speedily establish this unit so as to provide regular updates to the public regarding changes in the mineral sector cannot be over emphasized. Ideally, information

programming at the most basic community level will not only ensure local participation in DACDF activities, but also impact on disbursement procedures, design and quality of DACDF projects.

Description

In accordance with provisions in current laws, the Law Reform Commission in collaboration with the Ministry of Mineral Resources will identify a suitable team to form a Chamber of Mines. Perhaps membership could be co-opted from DfID's supported United Mines Union. The Ministry will recruit experienced information staff with clear mandate to:

- Develop in local languages and disseminate accurate information to the public regarding policy changes or opportunities in the industry
- Conduct community awareness activities in mining areas on relevant mining policy issues such as licensing and the New Policy Measures
- Design and disseminate quality information on DACDF disbursement and community activities.

Schedule

The proposed duration to establish both components is 5 months starting as soon as possible.

Target Beneficiaries

Both artisanal and Large-scale mines will benefit by having access to accurate information regarding various aspects of the Mineral Industry. Because the general public is better informed about the consequences of anti-compliance behavior, the country will benefit by mitigating the incidence of smuggling.

Implementation

The Ministry of Mineral Resources with close collaboration with the Law reform commission will take a lead in implementing this component.

Resources Required

The Ministry requires resources to operate the PIU, some of which will come from Export Tax. There is very little financial requirement to set up the Chamber of Mines other than a political will.

Supervision/Monitoring

Largely Ministry self-regulatory, civil society and the donor community will be encouraged to monitor this component to ensure that the proposed outputs are consistently been implemented and creating the desired impact.

Objective C. Attract Private Investments into the Minerals Sector

Background

The Core Mineral Policy of the government of Sierra Leone clearly states its central goal as “create[ing] an internationally competitive and investor-friendly business environment in the mining sector”. A number of significant efforts have been directed towards this end including recent initiatives to decentralize the Gold and Diamond Department (GDD), the consolidation of peace and establishment of government authority throughout the country as well as government commitment to adhere to KPCS guidelines.

However, investing in the Minerals sector is a high-risk venture and the critical absence of comprehensive information on the geology of the country will fail to scale-up private investment in the industry. Charged with the responsibility to advise government on all matters related to geology, mapping, prospecting and exploration programs, there is also an urgent need to support capacity development at the Department of Geological Surveys.

The rationale

It is apparent that companies wishing to invest in the Mining Industry need to be assisted with information on key criteria needed to make investment decisions in the sector. The compilation of investment details into a single document will be extremely beneficial to investors and the country. DfID and other Diamond Reform Sector partners have indicated that information on the new Investment Code should be included especially as it relates to investing in the Mining industry. Specific information on the following will be crucial:

- Geology
- Politics
- Fiscal and monetary criteria
- Criteria affecting marketing
- Regulatory details
- Environmental details
- Operational details

Description

It is possible to hire locally the services of a professional consultancy such as CEMMATS to work with senior personnel at the Ministry of Mineral Resources. The team will liaise with staff in other allied government departments and agencies in carrying out this work and compile relevant information.

Schedule

It is anticipated that this component will take three months to complete and to start as soon as possible.

Target Beneficiaries

Investors will benefit by having consolidated and easily accessible information on investing in the minerals sector. The Ministry will benefit by having a consolidated document for use by its staff. The government will benefit by attracting more investors to the sector.

Implementation

The Ministry will recruit competent local consultants to carry out this work.

Resources Required

The Ministry will require funds to pay the consultants.

Supervision/Monitoring

The project will be supervised and run by the consultants. They will however receive oversight and liaise extensively with the Minister of Mineral Resources and senior staff of the Ministry.

Objective D, Improve the Regulation and Efficiency of Artisanal and Small-Scale Mines.**Background**

Sierra Leone has a diverse and rich mineral resource base, and mining is of vital importance to the country's economy. The mineral sector in Sierra Leone can be categorized into three sub-sectors: a) large-scale production of non-precious minerals – rutile and bauxite; b) large-scale production of precious minerals – diamonds; and c) artisanal and small-scale production of precious minerals – mainly diamonds, and to a much lesser extent gold. The widespread occurrence of alluvial diamond deposits, the simplicity of mining and processing methods, low labor costs and poor monitoring have been critical components associated to increased illegal diamond mining (IDM) and dealings.

Until recently, all diamond production in Sierra Leone came from artisanal or small-scale mining operations. During the 1970s and 1980s, the Sierra Leonean diamond industry fell prey to corruption and

mismanagement and many of the country's diamonds were exported illegally. Between 1992 and 2000, official average exports were less than 200,000 carats – just a tenth of official exports in the peak years during the late 1960s – and the per carat value was significantly less than the country's known run-of-mine average. Not only were the bulk of the country's diamonds being smuggled out, but they also became a source of war: the diamond areas of Kono and Tongo Fields, the richest diamond areas in the country, became a primary military and rebel focus, forcing the imposition of an embargo on direct and indirect import of Sierra Leone's rough diamonds by the UN Security Council in 2000.

The rationale

Apart from depriving the government from much needed export earnings and community development funds, rampant smuggling of diamonds will fail to attract both local and outside investment into the mineral sector. Years of corruption and inefficient control of the mineral sector have not only perverted governance in Sierra Leone, but also exacerbated the demise of regional conflicts with manifest implications on human life and security.

Yet, what remains critical is government to demonstrate adequate capacity to monitor, enforce existing regulations and/or policies as well as curb the economic detriments as a result of illegal activities.

Description

To encourage regularization and sustain an efficient market (through official channels), government response, through the Core Mineral Policy, has given due attention to the special circumstances of artisanal mining, emphasizing the development of credit schemes, establishment of mining cooperatives and empowerment of diamond area communities in terms of information dissemination on more efficient and safer mining. With the establishment of USAID's supported Peace Diamond Alliance (PDA) in 2003, evidence is emerging to demonstrate that the alluvial diamond industry can 'work' in Kono and Tongo Fields, illustrating that it is possible to operate within the context of best practice:

- Transparency, fair, and a safe local market;
- Maximize benefits to local miners, diggers, and their communities;
- Track diamonds from earth to export;
- Minimize corruption and;
- Provide appropriate information on issues relative to artisanal mining through community sensitization and training.

Schedule

Scale-up ongoing efforts in this area as soon as possible.

Target Beneficiaries

The government of Sierra Leone will realize maximum export earnings as a result of improved regulation in the artisanal mining industry and will exert more control over the industry. There will be adequate incentives for local communities and therefore motivated to mine legally.

Implementation

The capacity to enforce this regime goes beyond mere regulation of laws and policies. There are, more generally, some practical steps to undertake in order to scale-up the following strategies:

- Urgent need to enforce property rights so that the potential for conflict is mitigated within mining communities.
- Enhance development for MMOs and immediate financial support to the newly established PMMT of the Sierra Leone police for these agencies to become capable of satisfactorily addressing illicit mining and smuggling activities.

- Urgent attention to implement and expand World Bank supported cadastre system, therefore providing the basis for effective enforcement of mineral rights.
- Provision of adequate communication equipment and motorbikes in addition to USAID's previous assistance
- Encourage and expand the Peace Diamond Alliance efforts in setting up and supporting cooperative mining thereby undercutting part of the rationale for smuggling and ensuring that diggers get a fair price. This will essentially involve ensuring access to finance and technical training for artisanal miners as well as marketing information.

Resources required

Some resources may be required to provide logistical support and/or capacity for monitoring. Donor support will be critical to expand and sustain cooperative mining.

Supervision/Monitoring

In addition to the newly established PMMT, the MMR will have to put in place an Independent Investigative Commission on Monitoring (IICM). As an oversight body, the IICM will work closely with MMOs to ensure the regulation and efficiency of artisanal and Small-Scale Mines.

Objective E, Minimize and mitigate the adverse impact of mining operations on Health, Communities and the Environment

Background

Through the Core Mineral Policy, the Government has recognized and claims to have a 'duty of care to protect the environment in the national interest'. Measures such as enforcing regulations to perform Environmental Impact Assessments (EIAs) before mining have already been initiated. As part of the requirement to obtain an artisanal mining license, the *New Policy Measures* has recently made an increment of 50% as cost for environmental reclamation. Small-Scale companies on the other hand are required by law to rehabilitate areas affected by their mining operations. In addition, communities affected by the impact of mining operations have, within the past 3 years, benefited from a government/donor initiated Diamond Area Community Development Fund (DACDF).

Within the same government policy framework, Medium to Large-Scale mining operations are encouraged to operate in ways that are safe and to be 'responsible corporate citizens'. This includes investment in the development of the communities in which they operate, provide support for health care facilities, dispensaries, clinics and HIV/AIDS screening centres.

The rationale

Despite the above policy measures, artisanal and Small-Scale mining in Sierra Leone is traditionally associated with the destruction of inland valley swamps, pollution of water sources such as streams, underground aquifers and rivers as well as degradation of land leading to erosion and therefore impacting on available arable land.

Description

To reverse the above trend, a good starting place will consist of government commitment to intensify awareness raising programmes on environmentally friendly mining practices. This underscores the need to expedite and make relevant the newly established Public Information Unit (PIU) of the Ministry of Mineral Resources. Regardless of the fact that rehabilitation fees have recently been restructured, a political will, is urgently required to ensure the implementation and monitoring of procedures and conditions contained in Environmental Impact Assessment (EIAs). This should also include close collaboration between the MMR and other allied government and non-governmental agencies such as the

United Mines Union, ensuring that regulations pertaining to the protection of the environment are duly implemented.

Target Beneficiaries

Environmentally sound mining practices will reduce the incidence of mine accidents as well as provide alternative use of mined out areas.

Implementation

The Ministry of Mineral Resources in collaboration with that of Lands and the Environment will take a lead in implementing this strategy.

Resources required

Some resources to set up the PIU have already been secured. There is very little financial requirement for the implementation of this strategy other than government will and capacity to enforce and monitor environmental adherence.

Supervision/Monitoring

Largely government, in particular, Ministry regulated.

Objective F. Promote Improved Employment practices, Encourage the participation of women in the mineral sector and prevent the employment of children in mining

Background

Some measures, such as encouraging women's participation in legitimate mining and enforcing regulations to perform Environmental Impact Assessments (EIAs) before mining, have already been initiated under this objective. In addition, efforts are well underway to introduce best practices as an alternative to traditional methods and there have been observable indicators to suggest local empowerment in making critical decisions as a result of the new policy measures.

Mining communities are known for over crowding and the situation in Sierra Leone is even more vulnerable to health and human rights implications. It is not clear how the new policy intends to deal with issues of HIV/AIDS and Child Mining.

Recalling a statement made in Kono in June 2004, Sierra Leone's Deputy Minister of Health asserted that the incidence of HIV/AIDS in mining communities was at 7 % of the national total and that this was exponentially bound to rise during the next ten years. Also worrying is the involvement of children in mining. A World Vision study on the issue of child miners estimated that between 5-7,000 children are involved in various mining activities, a situation aggravated by both the demise of the war and shrinking economic opportunities in rural areas.

The rationale

The long-term impacts on the country as a result of the HIV/AIDS pandemic, including the social and educational wellbeing of children affected by mining cannot be ignored. Because Sierra Leone is a signatory to a number of international protocols on children and Labour, failure to address these issues is a direct contravention of the CRC (1989), The African Charter (1990) and Article 182 of the UN Declaration on Child Labour.

Description

As stated previously, the CMP is primarily a Minerals policy. The gaps to implement this aspect of the policy however lie between the complex nature of the Sierra Leone mining industry in the first place and then requirements for technical and professional capacity. There are also a lot of authoritative ambiguities in relation to who does what, how and when. Simply assuming an enhanced technical capacity at the MMR to implement mining regulations, the MMR is not technically or professionally equipped to handle

social or health issues. To mitigate the incidence of HIV/AIDS and the participation of children in mining will require careful coordination.

Schedule

This project should start as soon as possible and will probably continue as long as the problem persists.

Target Beneficiaries

Inhabitants of mining communities

Implementation

To better address issues of HIV/AIDS and child labor in the mining sector, this Strategy Paper suggests the formation of a 'Multi-disciplined Technical Coordination Team' (MTCT) comprising of staff from the MMR, National AIDS Secretariat and the Ministry of Social Welfare. The primary function of this team is to effectively manage information related to the two issues, monitor and coordinate relevant activities, identify the extent of the problem and develop control mechanisms as well as mobilize required resources.

Resources Required

Some resources may be required to set up and support the MTCT on HIV/AIDS and Child Labor.

Supervision/Monitoring

This project will in the first place require a political mandate and clear terms of reference. The team will implement the program, but jointly monitored by donors and the key Ministries/agencies represented in the CRCT. Monitoring should include periodic evaluation in order to measure impact.